

MS-1230

28 MAR 1958

MEMORANDUM FOR: Deputy Director (Support)

SUBJECT : Staffing and Costs of the Administration Building
Printing Plant

REFERENCE : Memorandum from Director of Logistics to Deputy Director
(Support), dated 12 February 1957, Subject: Status of
Recruitment Actions for Positions in the Former GPO-State
Service Printing Plant and Statement Regarding Expected
Savings Resulting From the Transfer of Operating Control
of This Plant to the Central Intelligence Agency,
13 January 1957.

This memorandum is for your information only; particular reference is
made to paragraphs 2, 7, and 8, herein.

1. In accordance with your request, a study has been conducted of the
staffing and operating costs in the Administration Building Printing Plant
(Admin. Plant) to see what savings, if any, have been made in personnel
and/or money since CIA took over the plant and what additional savings, if
any, are anticipated.

2. Some savings in personnel have been made. Personnel on duty in
the Admin. Plant in calendar year 1955 and 1956 were [redacted] respectively.
It is known that considerable overtime was worked during these years but
no GPO overtime or leave figures are available. Personnel on duty during
calendar year 1957 (the first full year of CIA operation of the Plant)
averaged [redacted] between 9 and 10 man years of overtime were worked during
this year and 12.4 man years of leave were taken. Although GPO records
are not available for the years 1955 and 1956, discussion with senior
personnel of the Printing Services Division (PSD) reveals that there was
no substantial increase in total workload in the Admin. Plant during
calendar year 1957. Comparison of personnel strengths for the two periods
under consideration reflect that under Agency operation [redacted] people working
straight time plus 9 to 10 man years of overtime and using 12.4 years of
various kinds of leave produced the same amount of work as [redacted] people
under GPO operation with unknown but substantial overtime and leave. One
year's experience in the Admin. Plant indicates that [redacted] individuals are
not enough to properly staff the plant and an increase of 6 has been re-
quested. This will still be a saving of 8 persons compared to the average
on-duty strength of [redacted] for CY 1956. A ceiling of [redacted] in this plant will
reduce but not eliminate overtime, since in this type activity some degree
of peak and valley situation normally exists and some overtime will continue
to be required.

MS-1230

3. The extent of dollar savings realized as a result of CIA takeover of the Admin. Plant must be considered in light of available information about comparable costs prior to the takeover. GPO does not show a break-down of costs on the billings submitted to its customers and has declined to discuss its method of computing overhead or materials handling charges. Therefore, the only basis for comparing before and after takeover costs is to compare CIA cost figures for 1957 with total prior year disbursements by CIA to GPO for work done for CIA in the Admin. Plant plus cost of CIA purchases of materials from commercial sources for GPO use. Further, in order to estimate what CIA 1957 costs would have been if GPO were still operating the plant, it is necessary to assume an average GPO overhead charge. It has been ascertained that GPO overhead charges ranged between 60% and more than 100% of labor and that materials handling charges were approximately 10% of materials costs. This latter can not be verified, but is believed to be a comparatively small amount since CIA furnished a substantial portion of the materials used by GPO in printing CIA jobs. At any rate an estimated GPO average overhead charge of 80% is considered a sound and conservative estimate for comparative cost purposes.

4. During calendar year 1955 the Agency paid \$803,200 to GPO for printing services performed by GPO in the Admin Plant and in addition, provided GPO with materials which cost approximately \$30,000. This brought the cost of printing for CIA in the Admin. Plant to \$833,200 for the year. Comparable disbursements for 1956 were \$795,050 to GPO and approximately \$30,000 for materials or a total of \$825,050 for CIA printing in the Admin. Plant. The disbursements during each of these years included payment to GPO for work completed or in process at the end of the prior year (work for which billings were received by CIA after the beginning of the new year). The Agency took over the Admin. Plant on 13 January 1957. Work completed and the accrued value of the work in process at COB 12 January 1957 was computed by GPO, billed to the Agency and paid by the Agency. This amounted to \$127,570 and must be considered a part of the 1957 cost to CIA for work done in the Admin. Plant. However, it is not properly a part of the CIA cost of operating the plant. In order to arrive at a consistent basis for figuring Admin. Plant costs from year to year it is believed desirable to treat this as an isolated transaction peculiar to the transfer of the plant to CIA. Therefore, instead of using it, the accrued value of work in process in the plant at 31 December 1957 should be added to the cost of printing completed by this Agency in 1957. This amounted to \$108,863 and gives a total figure for the year which can properly be compared with the disbursements to GPO in 1955 and 1956. Work in process at 13 January was completed by the Agency and the costs of it were included in CIA operating costs. The following costs of operation for calendar year 1957 are based on the Agency cost accounting system for the Admin. Plant (Comptroller Instruction No. 40, dated 18 April, 1957):

MS-1230

Material	\$ 136,200
Labor	470,000
Overhead*	258,000
Depreciation** ²	<u>22,300</u>

Cost	\$ 886,500
Less Cost of Services Rendered to Other Agencies	<u>50,400</u>
	\$ 836,100

--Total Cost of Work completed by CIA in Admin. Plant in CY 1957.

Plus Accrued value of Work in Plant at COB 31 Dec. 57

\$ 108,860
\$ 944,960

- 1 * Computed at 55% of Labor
2 ** Computed at 5% of labor and charged only to Agency components.

--Total Cost in 1957 of work performed by CIA in Admin. Plant.

The above analysis does not include capital investments of almost \$300,000, except for depreciation, nor inventory on hand of \$66,700. The total cost figure given does include a net "operating profit" of \$19,500.

5. If GPO had operated the Admin. Plant during CY 1957 and provided an equivalent amount of services, the estimated cost (based on using 80% of labor as overhead) would have been as follows:

Materials	\$ 136,200
Labor	470,000
Overhead* ³	375,800
Depreciation** ⁴	<u>*****</u>

Cost	\$982,000
Less Cost of Services Rendered Other Agencies	<u>57,000</u>
	\$ 925,000

Plus Accrued value of Work in Plant at 31 Dec. 57

\$ 121,430
\$1,046,430

--Total estimated cost to CIA in 1957 if GPO had operated the plant.

- 3 *Computed at estimated average of 80% of labor.
4 ** Included in overhead

MS-1230

7. On the basis of the above comparison, it can be seen that CIA spent more dollars in 1957 for printing services in the Admin. Plant in 1957 than were spent in 1955 and 1956:

1955 - \$ 833,200 - CIA disbursements for Admin. Plant Printing
1956 - 825,050 - CIA disbursements for Admin. Plant Printing
1957 - 944,960 - CIA operating cost

The increase in costs for 1957 are attributable to increases in costs of labor (6%) and materials (10%). The Agency costs for 1957 include approximately \$19,500 in "profits", as reflected in the cost accounting system. Profits to GPO resulting from CIA revenues are unknown. The Agency spent \$944,960 on printing in 1957 which would have cost at least \$1,046,430 if GPO had done it. This comparison shows that CIA saved at least \$101,470 in printing costs during the first year of its operation of the Admin. Plant.

8. Savings anticipated for the future may be summarized as follows:

a. Further dollar savings will be possible when the Admin. Plant is consolidated with other Agency printing facilities. At such time it should be possible to eliminate dual supervisory and Administration positions.

b. Additional benefits not measurable in dollars will be (1) the increased security of centralized printing facilities and (2) greatly increased flexibility in use of personnel and equipment not now possible because of physical location.

c. Reduction in overtime costs which PSD believes will be possible with 6 additional people as soon as the backlog is worked down.

d. Continuing savings in overhead costs (60% as against at least 80%).

SIGNED

28 MAR 1958

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Chief, Management Staff

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CONCURRENCE:

31 MAR 1958
Date

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17 APR 1958
Date

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Assumes that the estimate of GPO overhead (80%) is reasonable. The conclusions & the manner in which it appears to be valid. S/RHF